

~~SECRET~~

23 June 87

MEMORANDUM FOR: Distribution

SUBJECT: Inter-Agency Meeting

TYPE OF MEETING

EPC

DATE

²⁶
24 June 87

TIME

1300-1000

PLACE

Roosevelt Room

CHAired BY

Baker

ATTENDEE(S) (probable)

NIO/Econ

SUBJECT/AGENDA

Brazil Informatics

PAPERS EXPECTED

Agenda today

INFO RECEIVED

DISTRIBUTION:

DCI

DDCI

ExDir

DDO

DDI

Ch/NIC

D/Exec Staff

ES

SDO/CPAS


ER

25X1

~~SECRET~~

EXECUTIVE SECRETARIAT'
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC	X			
10	GC				
11	IG				
12	Compt				
13	D/OCA				
14	D/PAO				
15	D/PERS				
16	D/Ex Staff		X	23 JUN 1987	
17	NIO/ECON		X		
18	D/OGI		X		
19					
20					
21					
22					
SUSPENSE		Date _____			

Remarks

Exe. _____
23 Jun '87

Date

3637 (10-81)

25X1

~~CONFIDENTIAL ATTACHMENT~~

**THE WHITE HOUSE
WASHINGTON**

Executive Registry

87-0257X/5

CABINET AFFAIRS STAFFING MEMORANDUM

Date: June 22, 1987 **Number:** 490,664 **Due By:** _____

Subject: Economic Policy Council Meeting -- June 24, 1987 -- 1:00 p.m.

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Carlucci	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cribb	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Bauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	Dawson (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
UN	<input type="checkbox"/>	<input type="checkbox"/>	DPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	EPC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>CIA</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The agenda and papers for the June 24, 1987, meeting of the Economic Policy Council are attached.

RETURN TO:

☒ Nancy J. Risque
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Associate Director
Office of Cabinet Affairs
456-2800
(Room 235, OE0B)

THE WHITE HOUSE

WASHINGTON

June 22, 1987

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: EUGENE J. McALLISTER *EM*
SUBJECT: Agenda and Paper for the June 24 Meeting

The agenda and paper for the June 24, 1987 meeting of the Economic Policy Council are attached. The meeting is scheduled for 1:00 p.m. in the Roosevelt Room.

The single agenda item for the meeting will be the Section 301 case on Brazil's informatics policy. A memorandum from Ambassador Yeutter outlining recent progress in the case is attached. Ambassador Yeutter's memorandum offers two options for Administration action on the major remaining unresolved issue: protecting U.S. intellectual property.

Confidential Attachment

ECONOMIC POLICY COUNCIL

June 24, 1987

1:00 p.m.

Roosevelt Room

Agenda

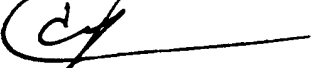
1. Brazil Informatics

CONFIDENTIAL

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

June 22, 1987

MEMORANDUM TO THE ECONOMIC POLICY COUNCIL

FROM: Clayton Yeutter 
SUBJECT: Brazil Informatics Section 301 Case

ISSUE

The President set a July 1 deadline for making a final determination in the unfair trade case on Brazil's informatics policies. This memorandum reports the TPRG's recommendations and options for Presidential action on that part of the investigation regarding intellectual property rights protection. The EPC must now decide whether to retaliate against Brazil for \$50 million in lost sales due to its lack of adequate copyright protection for computer software.

BACKGROUND

At the President's direction, USTR self-initiated an investigation in September 1985 of Brazil's informatics policies. On October 6, 1986, the President determined that Brazil's informatics policies are unreasonable and burden or restrict U.S. commerce. He deferred a decision on final action for three months to allow time for further consultations.

On December 30, he suspended two parts of the investigation concerning Brazil's administration of the informatics law and its market reserve policy. We are monitoring commitments made by Brazil at that time. The President postponed until July 1 a decision on two remaining issues -- Brazil's restrictions on U.S. investment and its failure to provide explicit copyright protection for computer software.

Since then, we have held public hearings to solicit private sector views on these issues. We have also held consultations on Brazil's proposed software legislation. (A memorandum describing the status of the case is attached at Tab 1.)

CONFIDENTIAL

CONFIDENTIAL

- 2 -

TRADE POLICY REVIEW GROUP RECOMMENDATIONS

The TPRG recommends that we continue to monitor Brazil's market reserve policy and administrative reforms, the two parts of the case suspended last December. However, if at the end of the year, Brazil's Constituent Assembly institutionalizes the market reserve in its Constitution, we should consider retaliation.

On investment, Brazil's August 1986 commitment to establish a favorable "track record" for investments on a case-by-case basis is insufficient. The TPRG believes we should continue to negotiate to improve Brazil's policy for joint ventures and upgrading and modernization of existing operations. No deadline for action should be set, however.

On intellectual property rights, the Brazilian Congress is currently considering legislation that would provide adequate copyright protection for computer software. However, a Member of Congress is attempting to remove the marketing restrictions and a de facto market reserve for software still retained in the legislation. The Government also has had difficulty in obtaining a quorum. Brazilian Government officials are unable or unwilling to give us any indication when the bill might pass, despite our efforts to obtain assurances from the Foreign Ministry on June 17. The TPRG recommended that the President suspend and monitor this part of the case if the bill passes the lower house before July 1.

The issue for the EPC to decide is what action to recommend to the President if the bill does not pass the lower house before the deadline.

OPTIONS FOR EPC RECOMMENDATIONS TO THE PRESIDENT**Option 1**

- (A) The President would announce a decision to retaliate against \$50 million of imports of specified Brazilian products, the estimated sales losses of U.S. software suppliers in the Brazilian markets. The Trade Representative would announce in the Federal Register public hearings and a list of candidates for retaliation. (A list of the proposed candidates is attached at Tab 2.)
- (B) In addition, the TPRG recommended that we also consider raising tariffs on U.S. imports of informatics products included under Brazil's market reserve. This action would not be a substitute for the retaliation described above, since at present it would have no trade impact on Brazil. Some TPRG members believe it would have symbolic value, however.

CONFIDENTIAL

CONFIDENTIAL

- 3 -

Pros

- o Would maintain negotiating credibility of USG imposed deadlines and Section 301 process.
- o Could decrease U.S. Congressional criticism of previous Administration delays in case. (House Energy and Commerce Committee will hold hearings on case on June 25.)
- o Because candidate list for retaliation covers broad Brazilian export interests, could increase pressure on Brazilian Congress to pass copyright bill.
- o Would signal to other countries importance USG places on protection of intellectual property rights.

Cons

- o Could jeopardize passage of copyright bill or improvements in other parts of the case.
- o May not increase negotiating leverage on Brazil, since actual trade impact of retaliation is small.
- o Could invite counter-retaliation or Brazilian Constituent Assembly support for provisions in draft Constitution that adversely affect U.S. interests.

Option 2

Delay decision on this part of case for another 60 days. Inform Paulo Tarso privately that the USG will retaliate at the end of that period unless the bill passes both the lower and upper houses.

Pros

- o Could allow reasonable period of time for bill to pass.
- o Would be supported by U.S. industry if necessary to obtain copyright protection.

Cons

- o Could diminish pressure on Brazilian Government to ensure passage of copyright bill.

CONFIDENTIAL

CONFIDENTIAL

- 4 -

- o Would be strongly criticized by U.S. Congress (since it would be the third postponement in this case), and increases likelihood of legislative constraints on President's discretion under Section 301.
- o Could highlight other parts of case that are unresolved.

Attachments

TAB A - Status of Case

TAB B - Candidates for Retaliation

CONFIDENTIAL

CONFIDENTIAL**TAB 1****STATUS OF BRAZIL 301 CASE****o Issues Suspended and Monitored**

On procedural reforms, Brazil promised to improve the administration of the informatics law. Brazil has authorized a staff increase for the Secretariat of Informatics (SEI) and plans to set up three new regional offices but is proceeding slowly. Companies report mixed results on Brazil's commitment to shorten the time period for processing import licenses. Appeals of SEI decisions are still limited to CONIN, which seldom meets, and Brazilian courts.

An ad hoc group was established to review specific company complaints. Two out of six cases brought to the group have been favorably resolved.

On market reserve, Brazil published a list of products not subject to SEI review. Companies report that the list has little practical effect; however, some companies may not have to receive SEI authority to import spare parts or components. SEI still retains review authority, and it is unclear how an item can be included in or excluded from the negative list.

Brazil also agreed not to extend market reserve to new areas, nor beyond 1992, the date this feature of the informatics law is scheduled to expire. However, the current draft of Brazil's new Constitution includes computer software under the market reserve for informatics and also contains a provision that would institutionalize market reserve.

o Remaining Issues

On investment, Brazil has made no substantive commitments, but has asked to be judged on the basis of its record. To date, no joint ventures have been approved and only one company received SEI approval to upgrade its line by \$1.5 million. Two foreign companies are phasing out their operations in Brazil. American firms have, however, been slow to test Brazil's commitment of increased accommodation in this area. In other words, there is not much of a track record either way at the moment.

On copyright protection for computer software, President Sarney on December 9 sent to the Brazilian Congress a software bill that does not provide explicit copyright protection, requires compulsory licensing and registration, and extends market reserve to software.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

At consultations held on May 11, certain officials of the Brazilian Government indicated that they would attempt to incorporate "technical amendments" to the bill which would grant adequate copyright protection for software. USG and industry copyright experts recently reviewed the revised legislation and concluded that the bill would provide an adequate level of protection for software which would be defensible internationally.

CONFIDENTIAL

~~CONFIDENTIAL~~

TAB 2

Brazil Informatics 301
BACKGROUND DATA ON NON-AGRICULTURAL CANDIDATES FOR RETALIATION
(Millions of Dollars)

Product Name	US Imports fr. Brazil			Item % Total		Brazilian Industry	U.S. Industry
	1986	84-86	CAGR	BR XP	US MP		
Consensus Products	\$183.0	\$133.1					
Herbicides	\$ 37.7	\$ 17.7	169%	NA	44%	Nat'l. firms, for. subs; U.S. MNCs may export	Have IPR concerns
Ferrosilicon	\$ 26.1	\$ 15.2	68%	27%	26%	Mostly indig. (no U.S. invst.); Sao Paulo, Bahia	Approached USG
Ceramic Sanitary Ware	\$ 24.0	\$ 12.7	203%	62%	32%	Indigenous; export-oriented trade association	Views as import-sensitive
Earthenware	\$ 16.5*	\$ 12.8	44%	72%	2%	NA	Views as import-sensitive
Benzene	\$ 16.4	\$ 24.0	-32%	95%	13%	Petroquina (GOB)	Excess capacity
Wood Furniture	\$ 16.4	\$ 13.2	44%	50%	1%	Indigenous; Sao Paulo & South; small firms	Views as import-sensitive
Pistols & Revolvers	\$ 13.9	\$ 8.5	118%	NA	28%	Indigenous; Rio Grande do Sul	Approached USG
Ceramic Tiles	\$ 13.2	\$ 10.8	26%	NA	5%	Indigenous; South & Southeast; major employer	Views as import-sensitive
Silicon	\$ 12.2	\$ 9.3	109%	NA	39%	NA	Views as import-sensitive
Leather Handbags	\$ 6.6	\$ 7.9	-13%	50%	4%	Indigenous	Views as import-sensitive
Informatics	\$ 94.0	\$ NA	NA	16%	1%	U.S. and foreign subs; 90 national firms	Subject of 301
Women's Leath. Footwear	\$700.5	\$721.3	-2%	91%	48%	Indigenous; South	Approached USG
Men's Leather Footwear	\$103.9	\$110.2	-3%	90%	6%	Indigenous; Sao Paulo	Approached USG
Passenger Cars	\$400.0**	\$ 0.0	NA	NA	NA	Foreign Sub. (VW)	VW of America would object
Hardboard	\$ 18.8	\$ 18.8	0%	60%	46%	Indigenous; Sao Paulo; strong trade association	Excess capacity
Paper Machinery & Pts.	\$ 12.7	\$ 16.5	113%	27%	7%	U.S. and foreign (FRG) subs; Sao Paulo	Beloit; others complain
Machine Tools, M-wkg.	\$ 19.2	\$ 10.2	152%	21%	1%	Indigenous and foreign sub (FRG)	Views as import-sensitive
Civil Aircraft	\$ 62.9	\$ 38.8	27%	NA	NA	Indigenous	Supplies components

Data are based on U.S. imports for consumption, customs value.

KEY: 84-86 = average value; CAGR = compound annual growth rate, 1984-86; BR XP = Brazilian Exports; US MP = U.S. Imports

* 1985 U.S. Import figures; 83-85 average **Prospective 1987 Imports

NA Not available

~~CONFIDENTIAL~~

TAB 2

Declassified in Part - Sanitized Copy Approved for Release 2012/02/28 : CIA-RDP89B00224R000602040017-7

TRANSMITTAL SLIP		DATE 29 Jan 87	
TO: D/Exec Staff			
ROOM NO.		BUILDING	
REMARKS:			
<div style="text-align: center;">V</div>			
FROM:		NIO/ECON	
ROOM NO.	BUILDING	7E48 HQS	EXTENSION

FORM NO. 241
1 FEB 56

**REPLACES FORM 36-8
WHICH MAY BE USED.**

(47)

Declassified in Part - Sanitized Copy Approved for Release 2012/02/28 : CIA-RDP89B00224R000602040017-7

CONFIDENTIAL
The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 02705-87
29 June 1987

MEMORANDUM FOR THE RECORD

SUBJECT: EPC Meeting 26 June on Brazil Informatics

1. The USTR noted passage in the Brazilian House of an acceptable software production bill, saying he anticipated Senate passage, but warning that a Senate vote might not take place until after the July recess.

2. The EPC agreed to have the President send a note to President Sarney thanking him for his help. The note will also express concern about the failure of Brazil to follow through in allowing foreign investment. Hence, the threat of a 301 Action will remain in place.

3. Deputy Secretary Whitehead praised Brazil for its recent economic actions. Baker seemed realistic about the "progress," saying it was too early for praise. Baker finds the new finance minister easy to work with and thinks there is hope of progress toward an IMF program. Sprinkle noted that the Brazilian inflation rate was 1,000 percent per year.



Deane E. Hoffmann
National Intelligence Officer for Economics

cc: ~~1~~ D/Exec Staff 
D/ALA

 ALA (Room 3F23)

25X1




CONFIDENTIAL

CONFIDENTIAL

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20508

June 22, 1987

MEMORANDUM TO THE ECONOMIC POLICY COUNCIL

FROM: Clayton Yeutter 
SUBJECT: Brazil Informatics Section 301 Case

ISSUE

The President set a July 1 deadline for making a final determination in the unfair trade case on Brazil's informatics policies. This memorandum reports the TPRG's recommendations and options for Presidential action on that part of the investigation regarding intellectual property rights protection. The EPC must now decide whether to retaliate against Brazil for \$50 million in lost sales due to its lack of adequate copyright protection for computer software.

BACKGROUND

At the President's direction, USTR self-initiated an investigation in September 1985 of Brazil's informatics policies. On October 6, 1986, the President determined that Brazil's informatics policies are unreasonable and burden or restrict U.S. commerce. He deferred a decision on final action for three months to allow time for further consultations.

On December 30, he suspended two parts of the investigation concerning Brazil's administration of the informatics law and its market reserve policy. We are monitoring commitments made by Brazil at that time. The President postponed until July 1 a decision on two remaining issues -- Brazil's restrictions on U.S. investment and its failure to provide explicit copyright protection for computer software.

Since then, we have held public hearings to solicit private sector views on these issues. We have also held consultations on Brazil's proposed software legislation. (A memorandum describing the status of the case is attached at Tab 1.)

CONFIDENTIAL

CONFIDENTIAL

- 2 -

TRADE POLICY REVIEW GROUP RECOMMENDATIONS

The TPRG recommends that we continue to monitor Brazil's market reserve policy and administrative reforms, the two parts of the case suspended last December. However, if at the end of the year, Brazil's Constituent Assembly institutionalizes the market reserve in its Constitution, we should consider retaliation.

On investment, Brazil's August 1986 commitment to establish a favorable "track record" for investments on a case-by-case basis is insufficient. The TPRG believes we should continue to negotiate to improve Brazil's policy for joint ventures and upgrading and modernization of existing operations. No deadline for action should be set, however.

On intellectual property rights, the Brazilian Congress is currently considering legislation that would provide adequate copyright protection for computer software. However, a Member of Congress is attempting to remove the marketing restrictions and a de facto market reserve for software still retained in the legislation. The Government also has had difficulty in obtaining a quorum. Brazilian Government officials are unable or unwilling to give us any indication when the bill might pass, despite our efforts to obtain assurances from the Foreign Ministry on June 17. The TPRG recommended that the President suspend and monitor this part of the case if the bill passes the lower house before July 1.

The issue for the EPC to decide is what action to recommend to the President if the bill does not pass the lower house before the deadline.

OPTIONS FOR EPC RECOMMENDATIONS TO THE PRESIDENT**Option 1**

- (A) The President would announce a decision to retaliate against \$50 million of imports of specified Brazilian products, the estimated sales losses of U.S. software suppliers in the Brazilian markets. The Trade Representative would announce in the Federal Register public hearings and a list of candidates for retaliation. (A list of the proposed candidates is attached at Tab 2.)
- (B) In addition, the TPRG recommended that we also consider raising tariffs on U.S. imports of informatics products included under Brazil's market reserve. This action would not be a substitute for the retaliation described above, since at present it would have no trade impact on Brazil. Some TPRG members believe it would have symbolic value, however.

CONFIDENTIAL

CONFIDENTIAL

- 3 -

Pros

- o Would maintain negotiating credibility of USG imposed deadlines and Section 301 process.
- o Could decrease U.S. Congressional criticism of previous Administration delays in case. (House Energy and Commerce Committee will hold hearings on case on June 25.)
- o Because candidate list for retaliation covers broad Brazilian export interests, could increase pressure on Brazilian Congress to pass copyright bill.
- o Would signal to other countries importance USG places on protection of intellectual property rights.

Cons

- o Could jeopardize passage of copyright bill or improvements in other parts of the case.
- o May not increase negotiating leverage on Brazil, since actual trade impact of retaliation is small.
- o Could invite counter-retaliation or Brazilian Constituent Assembly support for provisions in draft Constitution that adversely affect U.S. interests.

Option 2

Delay decision on this part of case for another 60 days. Inform Paulo Tarso privately that the USG will retaliate at the end of that period unless the bill passes both the lower and upper houses.

Pros

- o Could allow reasonable period of time for bill to pass.
- o Would be supported by U.S. industry if necessary to obtain copyright protection.

Cons

- o Could diminish pressure on Brazilian Government to ensure passage of copyright bill.

CONFIDENTIAL

CONFIDENTIAL

- 4 -

- o Would be strongly criticized by U.S. Congress (since it would be the third postponement in this case), and increases likelihood of legislative constraints on President's discretion under Section 301.
- o Could highlight other parts of case that are unresolved.

Attachments

TAB A - Status of Case

TAB B - Candidates for Retaliation

CONFIDENTIAL

CONFIDENTIAL**TAB 1****STATUS OF BRAZIL 301 CASE****o Issues Suspended and Monitored**

On procedural reforms, Brazil promised to improve the administration of the informatics law. Brazil has authorized a staff increase for the Secretariat of Informatics (SEI) and plans to set up three new regional offices but is proceeding slowly. Companies report mixed results on Brazil's commitment to shorten the time period for processing import licenses. Appeals of SEI decisions are still limited to CONIN, which seldom meets, and Brazilian courts.

An ad hoc group was established to review specific company complaints. Two out of six cases brought to the group have been favorably resolved.

On market reserve, Brazil published a list of products not subject to SEI review. Companies report that the list has little practical effect; however, some companies may not have to receive SEI authority to import spare parts or components. SEI still retains review authority, and it is unclear how an item can be included in or excluded from the negative list.

Brazil also agreed not to extend market reserve to new areas, nor beyond 1992, the date this feature of the informatics law is scheduled to expire. However, the current draft of Brazil's new Constitution includes computer software under the market reserve for informatics and also contains a provision that would institutionalize market reserve.

o Remaining Issues

On investment, Brazil has made no substantive commitments, but has asked to be judged on the basis of its record. To date, no joint ventures have been approved and only one company received SEI approval to upgrade its line by \$1.5 million. Two foreign companies are phasing out their operations in Brazil. American firms have, however, been slow to test Brazil's commitment of increased accommodation in this area. In other words, there is not much of a track record either way at the moment.

On copyright protection for computer software, President Sarney on December 9 sent to the Brazilian Congress a software bill that does not provide explicit copyright protection, requires compulsory licensing and registration, and extends market reserve to software.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

At consultations held on May 11, certain officials of the Brazilian Government indicated that they would attempt to incorporate "technical amendments" to the bill which would grant adequate copyright protection for software. USG and industry copyright experts recently reviewed the revised legislation and concluded that the bill would provide an adequate level of protection for software which would be defensible internationally.

CONFIDENTIAL

CONFIDENTIAL

TAB 2

Brazil Informatics 301
BACKGROUND DATA ON NON-AGRICULTURAL CANDIDATES FOR RETALIATION
(Millions of Dollars)

Product Name	US Imports fr. Brazil			Item % Total		Brazilian Industry	U.S. Industry
	1986	84-86	CAGR	BR XP	US MP		
Consensus Products	\$183.0	\$133.1					
Herbicides	\$ 37.7	\$ 17.7	169%	NA	44%	Nat'l. firms, for. subs; U.S. MNCs may export	Have IFR concern
Ferrosilicon	\$ 26.1	\$ 15.2	68%	27%	26%	Mostly indig. (no U.S. invst.); Sao Paulo, Bahia	Approached USG
Ceramic Sanitary Ware	\$ 24.0	\$ 12.7	203%	62%	32%	Indigenous; export-oriented trade association	Views as import-sensitive
Earthenware	\$ 16.5*	\$ 12.8	44%	72%	2%	NA	Views as import-sensitive
Benzene	\$ 16.4	\$ 24.0	-32%	95%	13%	Petroquina (GOB)	Excess capacity
Wood Furniture	\$ 16.4	\$ 13.2	44%	50%	1%	Indigenous; Sao Paulo & South; small firms	Views as import-sensitive
Pistols & Revolvers	\$ 13.9	\$ 8.5	118%	NA	28%	Indigenous; Rio Grande do Sul	Approached USG
Ceramic Tiles	\$ 13.2	\$ 10.8	26%	NA	5%	Indigenous; South & Southeast; major employer	Views as import-sensitive
Silicon	\$ 12.2	\$ 9.3	109%	NA	39%	NA	Views as import-sensitive
Leather Handbags	\$ 6.6	\$ 7.9	-13%	50%	4%	Indigenous	Views as import-sensitive
Informatics	\$ 94.0	\$ NA	NA	16%	1%	U.S. and foreign subs; 90 national firms	Subject of 301
Women's Leath. Footwear	\$700.5	\$721.3	-2%	91%	48%	Indigenous; South	Approached USG
Men's Leather Footwear	\$103.9	\$110.2	-3%	90%	6%	Indigenous; Sao Paulo	Approached USG
Passenger Cars	\$400.0**	\$ 0.0	NA	NA	NA	Foreign Sub. (VW)	VW of America would object
Hardboard	\$ 18.8	\$ 18.8	0%	60%	46%	Indigenous; Sao Paulo; strong trade association	Excess capacity
Paper Machinery & Pts.	\$ 12.7	\$ 16.5	113%	27%	7%	U.S. and foreign (FRG) subs; Sao Paulo	Beloit; others complain
Machine Tools, M-wkg.	\$ 19.2	\$ 10.2	152%	21%	1%	Indigenous and foreign sub (FRG)	Views as import-sensitive
Civil Aircraft	\$ 62.9	\$ 38.8	27%	NA	NA	Indigenous	Supplies components

Data are based on U.S. imports for consumption, customs value.

KEY: 84-86 = average value; CAGR = compound annual growth rate, 1984-86; BR XP = Brazilian Exports; US MP = U.S. imports

* 1985 U.S. Import figures; 83-85 average **Prospective 1987 Imports

NA Not available

CONFIDENTIAL

TAB 2